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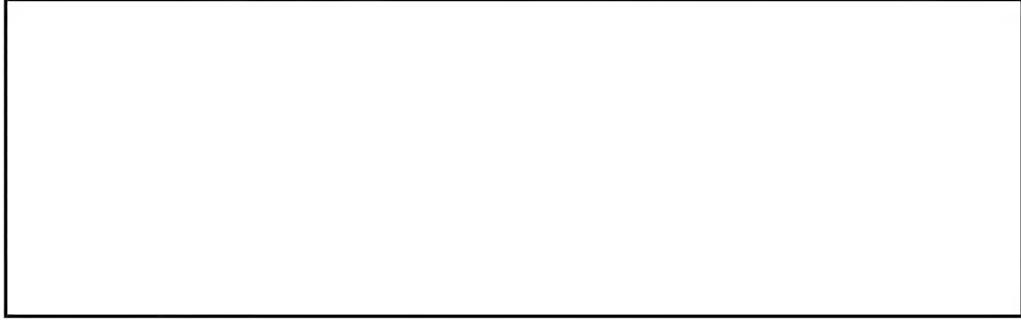
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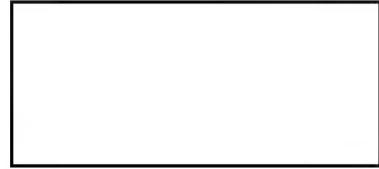
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Year-End Smiles for Austrian-Yugoslav Relations

Austrian Chancellor Kreisky and Yugoslav President Tito attempted to put the best face on bilateral relations during Kreisky's unofficial visit to Yugoslavia on December 28-29.

Bilateral relations reached a low point last spring, when Belgrade accused Vienna of intolerance toward the Slovene minority in the Austrian state of Carinthia. At issue were unimplemented points in the Austrian state treaty that require bilingual road signs in the language of local minorities in parts of Austria. Vienna, in reaction, temporarily withdrew its ambassador from Belgrade. Both sides have since made efforts to patch over their differences and tensions appeared to ease following talks between Chancellor Kreisky and Tito in Helsinki in July.

While in Yugoslavia, Kreisky discussed the minority issue primarily with Tito's close adviser, Edward Kardelj; Tito concentrated on broader international issues. Kreisky said that the Yugoslav side had taken a "very tactful attitude" on the minority problem, and he stressed that the Yugoslavs had not "made proposals" concerning Austrian policy. Tito said that the Kreisky visit itself showed that bilateral relations had improved in the past few months and that "we are on the best way to better understand the mutual difficulties."

Despite such soothing words, the contentious problems remain, and Belgrade will continue to monitor Vienna's actions toward its Slovenian

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minority. Austria's Socialist government has procrastinated addressing the unpopular road signs issue but, with the recent elections under its belt, Vienna may feel free to take some steps in the coming year.

Vienna has linked a solution to a "special minority census," by which the government probably hopes to limit the use of bilingual road signs in Carinthia to areas having a significant Slovenian population. The Yugoslavs reject using the census as a yardstick and insist that bilingual roadsigns be used throughout the state.

Any solution will more than likely offend some Slavic-or German-speaking Austrians. An Austrian study commission suggested last spring that one way to resolve the dispute--if it becomes too contentious for the Austrian government--is to submit the problem to the UN for a decision.

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Finnish Coalition Overcomes Budget Impasse

A Communist withdrawal from Finland's four-week old government was averted on December 29 when the five party coalition agreed to a compromise on a budget issue.

The disagreement between the Communists and the other four coalition parties arose when the Communists reneged on an automobile and gasoline tax which they had earlier approved. The Communists then asked for another round of negotiations, but an exasperated Prime Minister Miettunen hinted that he might reject the Communists' request.

Instead, Miettunen presented the five coalition partners with a compromise solution which allowed the Communists to save face, but held the budget to its proposed level. The Communists, who had earlier said they could not accept the proposed tax increases on gasoline, diesel oil and automobiles, later accepted Miettunen's proposal to lower the tax on small cars but retain the original gasoline and diesel tax.

By avoiding a confrontation, Miettunen has extended the life of the government for at least a month. Difficult problems ahead--including decisions on the government's general program, a special employment budget, and an incomes policy--might require President Kekkonen to intervene next month if the Miettunen coalition is to survive.

Kekkonen's role in the current crisis is not clear. Because he feels that only a broadly based government can tackle Finland's difficult economic problems, he may have pressured the Communists to accept a compromise.

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Italian Socialists Threaten Government Crisis

Italian Socialist Party leader De Martino has threatened to withdraw Socialist parliamentary support for the Moro government next week--a move that would lead to the collapse of the government and possibly to early parliamentary elections. A final decision may be made at the Socialist central committee meeting next Wednesday.

De Martino's position until now had been that no decision should be made on continued support for Moro until after the Socialist Party congress in February. Several factors probably encouraged him to take a harder line, among them:

- De Martino's rivals in the party maintain that continued support for Moro limits the Socialists' ability to compete with the Communists in the next elections. This view seems to be gaining support among the rank and file and hindering De Martino's plans to emerge from the congress with a solid majority behind him.
- The Socialists have found themselves increasingly isolated in parliament on issues important to their constituency, such as the medium-term economic plan and legalized abortion. In the debate taking place on abortion, for example, the Christian Democrats have formed an ad hoc alliance with the Communist opposition to thwart Socialist efforts aimed at giving women complete freedom of choice in the matter.

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If the Socialists follow through on their threat, the ensuing government crisis is likely to be one of the most difficult and protracted of the postwar period. The Christian Democrats cannot form a workable non-Communist government without the Socialists, but the latter are not likely to cooperate unless some formula can be found that:

- increases Socialist influence in the government substantially, and/or
- associates the Communists with the government in some way short of actual participation in the cabinet. The Socialists believe that they cannot compete with the Communists at the polls unless the latter are forced to take some responsibility for government actions.

Such a formula would likely prove elusive, because the Christian Democrats, who are preparing for a party congress in March, remain deeply divided over how to respond to Socialist demands. The collapse of the Moro government in present circumstances would, thus, increase the possibility of the parties resorting to early parliamentary elections in an effort to break the deadlock. Some Socialist leaders favor that alternative since they feel their party stands to gain more if the elections are held next spring instead of in May 1977, as now scheduled.

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